

SUMMARY OF AGREEMENT BETWEEN SUNNYSIDE GOLD CORPORATION AND WATER QUALITY CONTROL DIVISION

Sunnyside Gold Corporation's ("SGC") final reclamation plan for the Sunnyside Mine includes installation of bulkheads in the American and Terry Tunnels. These tunnels have discharge permits issued by the Colorado Water Quality Control Division ("Division"). Once valves are closed in the installed seals SGC and the Division disagree whether any seeps and springs resulting from filling the mine would be point source discharges of pollutants, subject to permits. SGC sued the Division, asking the state court to decide. In order to settle this dispute and to protect the water quality in the Animas River, SGC and the Division propose to mitigate historic water impacts and mine waste at several inactive mines in order to offset for any water quality problems attributable to seeps and springs which may result from mine closure. This settlement is reflected in a Consent Decree that will be ordered by the court.

The success of the mitigation program will be measured at the water quality reference point, in the Animas River below its confluence with Mineral Creek, downstream of Silverton (water quality monitoring station A-72). Both parties have agreed that the concentration of dissolved zinc is the indicator water quality parameter that will be used to assure water quality is protected. In order for the agreement to be successfully completed, the water quality (dissolved zinc) at A-72 will be compared statistically to baseline water quality data to determine if it has deteriorated.

SGC will first plug the American and Terry Tunnels and then begin to divert and treat water from Cement Creek at the American Tunnel treatment plant. This will create a water quality "cushion" to protect the Animas River during the mitigation work. SGC will then complete all the projects on the "A" List, which include: filling the mine with alkaline water; removal of the mine waste dump at the south fork of Cement Creek; removal of the surface tailings at the Eureka townsite; mitigation of surface mine wastes and installation of a bulkhead at the Gold Prince Mine; and mitigation at the Koehler Longfellow Mine site. After the mine pool has come into physical equilibrium and following completion of the A-list projects a period of post mitigation sampling occurs. The general agreement will have been successfully completed if a statistical analysis shows that water quality at the reference point has not deteriorated. If water quality criteria are not met, SGC can complete projects on the "B" List and other projects to remove more zinc from the system. These projects include mitigation of the Boulder Creek Mill tailings; Pride of the West tailings, closure of the Columbus Mine portal, and closure of the London Mine portal. The projects listed involving third parties will require the owners approval prior to work starting.

Once the agreement is successfully completed, SGC's discharge permits for the American and Terry Tunnels will be terminated and SGC will have no future liability in the basin for any seeps and springs that result from the portal plugging. If the agreement is prematurely terminated, SGC and the Division will return to court, and for 30 months, SGC will treat any flows from the American Tunnel and the flow of Cement Creek up to their treatment plant capacity. If the agreement is prematurely terminated and SGC discontinues treatment as a result of bankruptcy, the Division will be able to continue treatment during litigation by drawing on a financial surety provided by SGC.

During the term of the agreement, SGC will continue to be bound by its discharge permits and Mined Land Reclamation permit, including the monitoring requirements. In addition to those monitoring requirements, SGC will monitor dissolved metals, sulfate, hardness and pH at A-72, and where possible at, above and below four mitigation sites (Koehler Longfellow, Gold Prince Mine, Columbus Mine, and London Mine), three stream mouth locations (Animas River above its confluence with Cement Creek, mouth of Cement Creek, mouth of Mineral Creek) and other locations within the Animas River Basin.

*pre-CD into Sunnyside
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